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BOARD OF PATENT APPEALS
AND INTERFERENCES

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte DAVID R. FRIED[1]

Appeal No. 2005-1674
Application 09/613,153[2] for reissue of Patent 6,035,286[3]

HEARD: December 12, 2005

Before PATE, MARTIN, and LORIN, Administrative Patent Judges.

MARTIN, Administrative Patent Judge.

DECISION ON APPEAL

This is an appeal under 35 U.S.C. § 134(a) from the examiner's final rejection of reissue application claims 21-81. We reverse.

A. The invention

The invention is a computerized method and system for creating a stock investment report based on a buyback investment strategy. Patent No. 6,035,286 ("'286 patent"), col. 1, ll. 8-11.

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[1] The real party in interest is the inventor, David R. Fried. Brief at 2.

[2] Filed July 6, 2000.

[3] This patent issued on March 7, 2000, based on Application 09/030,854, filed February 26, 1998.

More particularly, the '286 patent explains that "[s]ystems and methods consistent with the present invention provide investors with the means to select an investment group based on a set of selection criteria consisting of a buyback ratio and price/sales or price/earnings ratio to improve investment return." Id. at col. 2, ll. 55-59.

The '286 patent issued with claims 1-20, of which claims 1, 10, and 19 are independent claims. Each of the independent claims specifies that the criteria for screening the selection of a stock "consists of a buyback ratio and at least one of [a] price/sales ratio and a price/earnings ratio for each stock." Claim 1, for example, reads,

> 1. A computer implemented method for creating a buyback investment report comprising the steps of:
>
> receiving a request specifying a selection of stocks from a database of stock information;
>
> selecting criteria for screening the selection of stock, wherein the selected criteria consists of a buyback ratio and at least one of [a] price/sales ratio and a price/earnings ratio for each stock,
>
> screening the selection of stocks, the screening process including the substeps of
>
> identifying the stocks from the specified selection having buyback ratios, wherein a buyback ratio corresponds to a percentage of issued stock repurchased from the public during a specified period and resulting in a decrease of shares outstanding, and
>
> identifying a price/sales ratio or price/earnings ratio in the group for each such stock of a subset of the stocks having buyback ratios, wherein the subset is determined based on the buyback ratio for each stock; and
>
> ranking stocks within the subset based on the price/sales ratio or price/earnings ratio for each stock, wherein the stock having the lowest price/sales ratio or price/earnings ratio is ranked the highest.

The reissue application includes patent claims 1-20 in unamended form plus new claims 21-81, of which claims 21, 31, 41, 51, 61, 71, and 81 are independent. These new independent claims do not couple the buyback ratio with either a price/sales ratio or a price/earnings ratio. Instead, they more broadly couple the buyback ratio with "at least one other selection criteria associated with performance of a corresponding company" (claims 21, 31, and 41), "at least one other selection criteria associated with performance of a company corresponding to the at least one selected stock" (claims 51, 61, and 71), or "a company performance ratio" (claim 81). Claim 21, for example, reads:

> 21. A computer implemented method for reporting on investments, or potential investments, comprising the steps of:
>
> receiving a request specifying a selection of stocks from a database of stock information;
>
> identifying stocks from the specified selection having buyback ratios, wherein a buyback ratio corresponds to a percentage of shares of issued stock repurchased from the public during a specified period and resulting in a decrease of shares outstanding; and
>
> generating a report ranking a set of the identified stocks with buyback ratios based on at least one other selection criteria associated with performance of a corresponding company.

B. The grounds of rejection

Claims 21-81 stand rejected under 35 U.S.C. § 112, first paragraph, as based on a disclosure which fails to provide written description support for claims which are not limited to

at least one of the price/sales ratio and the price/earnings ratio.[4] Answer at 3. As appellant correctly notes (Brief at 3 n.4), this rejection clearly does not apply to dependent claims 22, 23, 32, 33, 42, 43, 52, 53, 62, 63, 72, and 73, which specify that the "selection criteria is selected from the group consisting of a price/sales ratio and a price/earnings ratio" and which are indicated as allowed in the Office Action Summary (PTOL-326) for the final Office action. As a result, we agree with appellant that the § 112 rejection should be understood to be applicable to only claims 21, 24-31, 34-41, 44-51, 54-61, 64-71, and 74-81.

Claims 21, 24-31, 34-41, 44-51, 54-61, 64-71, and 74-81 stand rejected under 35 U.S.C. § 251 on the ground of reissue recapture.

C. The grouping of the claims

Appellant (Brief at 6) and the examiner (Answer at 2) agree that the claims should be considered in the following three groups:

Group I: Claims 21, 24-31, 34-41, and 44-50;

Group II: Claims 51, 54-61, 64-71, and 74-80; and

Group III: Claim 81.

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[4] "[N]ew matter rejections of claims under § 251 have been reviewed on the basis of a § 112 analysis, that is, on whether a claim found support in an original patent." In re Rasmussen, 650 F.2d 1212, 1215 n.6, 211 USPQ 323, 326 n.6 (CCPA 1981) (citing In re East, 495 F.2d 1361, 1366, 181 USPQ 716, 719 (CCPA 1974)).

D. The rejection under 35 U.S.C. § 112

The examiner and appellant apparently agree that the phrase "at least one other selection criteria associated with performance" is generic to a price/sales ratio and a price/earnings ratio but is not limited to those two species. The examiner contends that the '286 patent fails to provide written description support for claims which are not limited to those two species:

> [T]he specification does not teach one [of] ordinary skill in the art what other ratio is used to screen or rank the stocks beside[s] the two ratios, i.e., price/sales ratio or price/earning[s] ratio. Selecting stocks or ranking stocks based on company performance ratio is broader than what is disclosed[;] therefore, it is new matter.

Answer at 4.

While "[a] claim will not be invalidated on section 112 grounds simply because the embodiments of the specification do not contain examples explicitly covering the full scope of the claim language," LizardTech, Inc. v. Earth Resources Mapping, Inc., 424 F.3d 1336, 1345, 76 USPQ2d 1724, 1732 (Fed. Cir. 2005), reh'g en banc denied, 433 F.3d 1373, 77 USPQ2d 1391 (Fed. Cir. 2006), "enough must be included to convince a person of skill in the art that the inventor possessed the invention and to enable such a person to make and use the invention without undue experimentation." LizardTech, 424 F.3d at 1345, 76 USPQ2d at 1732.[5] "[A] broad claim is invalid when the entirety of the specification clearly indicates that the invention is of a much narrower scope." Cordis Corp. v. Medtronic AVE, Inc., 339 F.3d 1352, 1365,

[5] Appellant discusses LizardTech in a supplemental brief, filed December 19, 2005, which was requested by the panel at oral argument.

67 USPQ2d 1876, 1886 (Fed. Cir. 2003) (quoting Cooper Cameron Corp. v. Kvaerner Oilfield Prod., Inc., 291 F.3d 1317, 1323, 62 USPQ2d 1846, 1851 (Fed. Cir. 2002)).

For the following reasons, we are of the opinion that appellant's specification as filed does not clearly indicate that the invention has the narrow scope recited in the original patent claims.

The specification, after explaining that companies which announced stock buybacks have outperformed the market by a margin of up to 9% in the four years after the initial repurchase announcement, col. 1, ll. 18-24, and noting that there is conflicting literature as to whether companies which actually had repurchased their stock outperformed others in the market, col. 1, ll. 34-37, explains that the price/sales ratio has been the best single factor for predicting company performance:

> To develop successful investment strategies, financial advisers currently rely on a myriad of theories and factors in an attempt to find the best investment vehicles for their clients. These theories are often based on age-old economic trends or newly developed calculations and stock screening techniques. One such recognized value factor for predicting or analyzing company performance is the price/sales ratio. The price/sales ratio is the relationship of a company's stock price to its annual sales (or revenues) per share. In the book, What Works on Wall Street, by J. P. O'Shanunnasey (1996), the author showed that the 50 stocks with the lowest price/sales ratio out performed the market by an average of 4.27 percentage points from Dec. 31, 1952 to Dec. 31, 1994. This level of outperformance was greater than the difference produced by any single variable.

Col. 1, ll. 38-53. According to the specification, "[t]here is, however, no single method that combines the performance of the price/sales ratio with the buyback theory to maximize the

performance of a stock investment portfolio," col. 1, ll. 54-57 (emphasis added), and thus "there exists a need for an investment strategy that automatically determines those companies buying back the greatest percentage of their stock while maintaining the lowest price/sales ratio." Col. 1, ll. 61-64 (emphasis added). However, the "Summary of the Invention" and the "Detailed Description" fail to limit the invention to the combination of a buyback ratio and a price/sales ratio, instead describing the invention as the combination of the buyback ratio with at least one of a price/sales ratio and a price/earnings ratio. See, e.g., column 2, ll. 15-17 (explaining that the invention includes, inter alia, the steps "selecting criteria for screening the selection of stock, wherein the selected criteria consists of a buyback ratio and at least one of [a] price/sales ratio and a price/earnings ratio for each stock." Col. 2, ll. 15-17. Significantly, the specification does not assert that the price/earnings ratio has the same or substantially the same predictive value as the price/sales ratio or that that the price/earnings ratio when used in combination with the buyback ratio will "maximize" the performance of the market portfolio, as is alleged for use of the price/sales ratio in combination with the buyback ratio. Col. 1, ll. 54-57. We therefore conclude that the specification fails to clearly limit the invention to use of at least one of the price/sales ratio and the price/earnings ratio, as is necessary to support the rejection.

We note that LizardTech, which held that LizardTech's sole disclosed embodiment was failed to provide written description support for generic claim 21, is distinguishable on at least the ground that appellant's specification provides plural embodiments falling within the generic claim language.

E. The rejection for reissue recapture

The "recapture rule prevents a patentee from regaining through reissue the subject matter that he surrendered in an effort to obtain allowance of the original claims." Kim v. Conagra Foods, Inc., Nos. 05-1414, -1420, slip op. at 13 (Fed. Cir. Sept. 20, 2006) (quoting Pannu v. Storz Instruments, Inc., 258 F.3d 1366, 1370-71, 59 USPQ2d 1597, 1600 (Fed. Cir. 2001)). There is a three-step process for applying the recapture rule:

> The first step is to determine whether and in what aspect the reissue claims are broader than the patent claims. The second step is to determine whether the broader aspects of the reissued claim related to surrendered subject matter. Finally, the court must determine whether the reissued claims were materially narrowed in other respects to avoid the recapture rule.

Kim, slip op. 13 (quoting Pannu, 258 F.3d at 1371, 59 USPQ at 1600, omitting internal quotation marks and citations).

The first step is clearly satisfied. The reissue claims do not recite a price/sales ratio or a price/earnings ratio and therefore are broader in that respect than the independent patent claims, which recite "at least one of [a] price/sales ratio and a price/earnings ratio."

Turning now to the second step, "[a] patentee can surrender subject matter either through arguments or amendments made during the prosecution of the original patent." Kim, slip op. at 14 (citing Hester Indus., Inc. v. Stein, Inc., 142 F.3d 1472, 1480-81, 46 USPQ2d 1641, 1648 (Fed. Cir. 1998)). The examiner bases the alleged surrender on arguments rather than an

amendment.[6] Specifically, he argues that appellant surrendered subject matter claims having the scope of the reissue claims when arguing, during prosecution of the claims in the original patent, the patentability of those claims over Kiron et al. U.S. Patent 5,806,048 (Kiron), which was the basis of a rejection of those claims under 35 U.S.C. § 103(a). Kiron discloses a open fund securitization process which

> will allow for the first time: (a) intra-day trading of an unlimited number of mutual fund indexes comprised of open end funds; (b) intra-day trading of an unlimited number of open end mutual funds with a greater degree of liquidity; and (c) intra-day trading of derivative securities linked to open end funds and indexes of open end funds.

Kiron, col. 2, ll. 57-63. This process is achieved by creating a second type of security, which will invest substantially all of its assets in the targeted open end mutual fund shares. Id. at col. 2, ll. 64-66. The preferred embodiment of this new security is a "closed end fund of funds," which has a fixed number of shares outstanding and a constant portfolio which is invested exclusively in the shares of the targeted open end fund(s). Id. at col. 2, l. 66 to col. 3, l. 3.

Figures 1A and 1B of Kiron represent how an open-end mutual fund index is created in a general data processing computer. These figures represent computer requirements and also comprise a schematic flowchart of process operating therewithin. Id. at col. 4, ll. 1-5. Box 10 in

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[6] The only amendment of the independent claims made by appellant during prosecution of the original patent was to insert "ratio" after the second and third occurrences of "price/earnings," which amendment appellant accurately characterized at the time as "correct[ing] minor informalities." Amendment received July 23, 1999, at 5. In an examiner's amendment dated September 13, 1999, the examiner amended the preamble of claim 19 from "A computer program product for generating a buyback investment report comprising:" to "A computer readable medium containing instructions or controlling a data processing system for generating a (Continued on next page.)

Figure 1A represents an electronic database (a "master database") of extensive statistical information stored in a computer containing the entire universe of open end mutual fund statistics in existence registered in the defined country or geographic area. Id. at col. 4, ll. 13-18. The preferred embodiment of the database includes extensive statistics for each open end fund, including, inter alia, the fund net asset value (N.A.V.) for each year, the price/book ratio, and the price/earnings ratio. Id. at col. 4, ll. 18-27. The only mention of buying back shares in Kiron is in the "Background of the Invention" (cols. 1-2), which explains that open end mutual funds cannot sell or buy back their shares at a price other than the N.A.V. (plus sales load, if any). See, e.g., col. 2, ll. 31-32.

During prosecution of the patent, the examiner explained the § 103(a) rejection of the independent claims over Kiron as follows:

> 3. As per claims 1, 10 and 19 Kiron et al. discloses selection of stock from a database of stock information (see fig. 1A); selecting criteria consists of buyback (see col. 1 lines 13-15 for open end mutual funds) and at least one of price/sales ratio and a price/earnings ratio for each stock (see col. 4 lines 18-35 and 41-57). Kiron does not specifically disclose calculating [a] buyback ratio. Official notice is taken that [sic, of] calculating [a buyback] ratio or percentage from available information. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to calculate the percentage of repurchased or outstanding stock for statistical analysis. Kiron discloses ranking of stocks.

Application 09/030,854, April 29, 1999, Office action at 2. In response, appellant argued the patentability of the claims over Kiron based on the buyback ratio limitation, not on the "at least

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buyback investment report comprising:." In the patent, however, "or" was printed as "on."

one of [a] price/sales ratio or a price/earnings ratio" limitation, which appellant did not deny is satisfied by Kiron:

> The Examiner[-]selected reference does not disclose or suggest the combination of steps recited in claim 1, for example. Systems and methods of the claimed invention allow an investor to establish a particular type of portfolio that yields the benefits associated with a specific category of stocks. The category (i.e., a stock having a buyback ratio) is unique in that the company has begun to buyback [sic] stocks at a particular rate. The Applicant has determined that if this repurchase rate is higher than in other stocks its rate of performance is likely to be greater over a given time period. To this end, claim 1, for example, recites a combination of steps including "selecting criteria for screening the selection of stock, wherein the selected criteria consists of a buyback ratio and at least one of price/sales ratio and a price/earnings ratio for each stock," and "identifying the stocks from the specified selection having buyback ratios, wherein a buyback ratio corresponds to a percentage of issued stock repurchased from the public during a specified period and resulting in a decrease of shares outstanding."
>
> The Examiner attempts to defeat the patentability of the claimed invention by relying on Kiron et al., but Kiron et al. does not disclose or suggest the combination of steps recited in claim 1, for example. Instead, this reference discloses a system that seeks to establish a price for shares in an open-ended mutual fund to enable continuous trading. [Col. 1, ll. 11-16.] These open-ended mutual funds do not have stocks with buyback ratios because, as the name implies, the shares of these funds remain outstanding and have yet to be repurchased. Kiron et al. does not disclose that their invention is intended to reap the benefits associated with buybacks, as described by the claimed invention. Instead, the newly created fund establishes a tradeable entity that represents open ended shares. This allows fund managers to buy and sell the shares at an agreed upon price other than that required by the NAV. [See Col. 2. l[]. 64 - col. 3, l[]. 9.] Applicant asserts that neither the creation of this entity nor any other teaching or suggestion garnered from Kiron et al. would motivate one to create a portfolio of stocks having a buyback ratio using the combination of steps recited in claim 1.
>
> Applicant also respectfully challenges the Examiner's assertion of Official Notice, and request that the Examiner cite a prior art reference, as required by MPEP 2144.04 in support of the Examiner's position. [See MPEP 2144.04.] Further, Applicant asserts that even if the Examiner can

> provide a reference that discloses calculating buyback ratios was known prior to the claimed invention, he has made no showing that the combination of this knowledge with Kiron et al. would lead a person of ordinary skill in the art to arrive at the combination of steps recited in claim 1. Applicant asserts that the only motivation for making this leap is his own application, amounting to an exercise in impermissible hindsight.

The examiner is therefore incorrect to treat appellant's observation (in the first paragraph quoted above) that "claim 1, for example, recites a combination of steps including "selecting criteria for screening the selection of stock, wherein the selected criteria consists of a buyback ratio and at least one of price/sales ratio and a price/earnings ratio for each stock" as an attempt to distinguish the claims from Kiron based on the "at least one of [a] price/sales ratio and a price/earnings ratio" limitation and as a surrender of the right to have claims which are not so limited. Appellant's mere quotation of claim language which includes the limitation in question falls well short of the type of argument held to constitute a surrender in Hester, 142 F.3d at 1482, 46 USPQ2d at 1649:

> Williams repeatedly argued that the "solely with steam" and "two sources of steam" limitations distinguished the original claims from the prior art. These were Williams' primary bases for distinguishing the broadest claim, independent claim 1, from the prior art. At no less than 27 places in six papers submitted to the Patent Office, Williams asserted that the "solely with steam" limitation distinguished the claimed invention from the prior art, and Williams did the same with respect to the "two sources of steam" limitation at no less than 15 places in at least five papers.
>
> Williams argued that each of these limitations was "critical" with regard to patentability, and Williams further stated that the "solely with steam" limitation was "very material" in this regard. In essence, these repeated arguments constitute an admission by Williams that these limitations were necessary to overcome the prior art. Indeed, when the Board reversed the Examiner's rejection of the original claims, these were the primary bases indicated for patentability. Williams, through his admission effected by way of his repeated prosecution arguments, surrendered claim scope that does not include these limitations.

The rejection for reissue recapture is accordingly reversed with respect to all of the rejected claims.

REVERSED

WILLIAM F. PATE, III)
Administrative Patent Judge)
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JOHN C. MARTIN) BOARD OF PATENT
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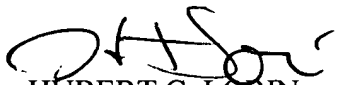
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